

BEFORE THE
POSTAL REGULATORY COMMISSION

Periodic Reporting
(UPS Proposals One, Two, and Three)

:
:
: Docket No. RM2016-2

MOTION OF UNITED PARCEL SERVICE, INC. FOR
ISSUANCE OF INFORMATION REQUEST TO
THE UNITED STATES POSTAL SERVICE

The Postal Service has filed replies to the Chairman's Information Request No. 2 in the above-captioned docket. In accordance with 39 CFR § 3050.11(c), United Parcel Service, Inc. ("UPS") requests that the Commission pose to the Postal Service the appended questions related to those replies.

The Postal Service's responses to these questions will help clarify the issues in dispute in this docket. For example, UPS was surprised to see the Postal Service's assertion that it "has attributed inframarginal costs to products" ¹ Proposed Question No. 1 seeks to clarify the Postal Service's practice on this important issue. Proposed Question No. 2 seeks to clarify what the Postal Service means when it refers to "variable costs" that do not "vary with volume at current levels of volume." ² UPS was also surprised to see the Postal Service state that it does not "determine which of its

¹ Dkt. No. RM2016-2, Postal Service Response to Questions 1-4 of Chairman's Information Request No. 2 (Dec. 10, 2015) ("Postal Service Response"), at Response No. 2.

² Postal Service Response No. 4.

costs are fixed,” *id.*, in light of its prior statements about fixed costs.³ Proposed Question 3 seeks to clarify that assertion.

Answering these questions should not impose a significant burden on the Postal Service. The questions generally seek only the clarification or confirmation of conceptual points. An exception to this is Proposed Question No. 3(d), but that question simply asks the Postal Service to provide the same explanation the Commission had previously asked the Postal Service to provide in Question No. 4 of Chairman’s Information Request No. 2, while using different terminology. Specifically, Question No. 4 of ChIR No. 2 had asked the Postal Service to explain “the methodology the Postal Service uses to determine whether costs are fixed.” The Postal Service responded that it does not determine which of its costs are fixed, but it does “identify cost pools that . . . do not change with variations in the amount of volume handled.” The Postal Service did not, however, explain its methodology for determining which cost pools meet that criteria. Proposed Question No. 3(d) asks it to do so.

Respectfully submitted,

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³ See, e.g., Dkt. No. RM2015-7, Postal Service Reply Comments at 25-26 (May 13, 2015) (“The existence of fixed travel time on letter carrier delivery routes is not a new idea.”).

PROPOSED QUESTIONS:

1. The Postal Service states that it “has attributed inframarginal costs to products in the only instance in which there is a reliably identified causal relationship between those inframarginal costs and the products that caused them.”⁴
 - a. Please confirm that, in fact, the Postal Service has not attributed any inframarginal costs to any individual competitive product since Congress enacted the Postal Accountability and Enhancement Act of 2006.
 - b. If not confirmed, please provide an explanation of the inframarginal costs attributed to each individual competitive product, a description of the methodology used, and all supporting workpapers.
2. The Postal Service states: “The calculation of marginal and incremental costs requires identifying those costs that vary with volume at current levels of volume, along with those costs that do not. This latter group of costs is known as institutional cost, and is a mix of fixed and variable costs.”⁵
 - a. Please confirm that the Postal Service’s position is that it has “variable costs” that do not “vary with volume at current levels of volume.”
 - b. If confirmed, please explain and identify which costs comprise the variable costs that do not “vary with volume at current levels of volume.”
3. The Postal Service states that “there is no need for the Postal Service to determine which of its costs are fixed, and it does not do so.”⁶
 - a. Please confirm that the Postal Service does not determine which of its costs are fixed.

⁴ Postal Service Response No. 2.

⁵ Postal Service Response No. 4.

⁶ *Id.*

- b. If confirmed, please reconcile that practice with the Postal Service's assertion that it attributes product-specific fixed costs to individual competitive products and group-specific fixed products to competitive products as a group.
- c. Please confirm that, for cost attribution purposes, the Postal Service treats the following cost components as either fixed or as costs that "do not change with variations in the amount of volume handled."⁷
 - i. Postmasters EAS 24 & Above [Cost Segment ("CS") 1, Component Number ("CN") 2]
 - ii. Network Travel [CS 2, CN 18]
 - iii. Network Travel Support [CS 7, CN 53]
 - iv. Network Travel [CS 7, CN 54]
 - v. Equipment Maintenance Allowance [CS 10, CN 73]
 - vi. City Delivery Network Travel [CS 12, CN 86]
 - vii. Other Personnel [CS 12, CN 89]
 - viii. City Delivery Network Travel [CS 12, CN 95]
 - ix. Other Supplies & Materials [CS 12, CN 98]
 - x. City Delivery Network Travel [CS 12, CN 104]
 - xi. Other Vehicle Hire [CS 12, CN 107]
 - xii. Mail Equipment Shops [CS 13, CN 110]
 - xiii. Contract Stations [CS 13, CN 111]
 - xiv. CAG L Rental Allowance [CS 13, CN 112]
 - xv. Tolls and Ferriage [CS 13, CN 113]
 - xvi. Other Local Operations [CS 13, CN 114]
 - xvii. Fed. Reserve & Commercial Bank Services [CS 13, CN 125]

⁷ *Id.*

- xviii. City Delivery Network Travel [CS 13, CN 131]
- xix. Other Carfare [CS 13, CN 134]
- xx. City Delivery Network Travel [CS 13, CN 140]
- xxi. Imbalance Payments [CS 14, CN 1438]
- xxii. Building Projects Expense [CS 15, CN 169]
- xxiii. Moving Expense [CS 15, CN 170]
- xxiv. Supply Personnel [CS 16, CN 173]
- xxv. Repair Equip. Supplies & Services Excl. ADP [CS 16, CN 175]
- xxvi. Printing & Reproduction [CS 16, CN 179]
- xxvii. Inventory Adjustment [CS 16, CN 182]
- xxviii. Reimbursements [CS 16, CN 189]
- xxix. Non-Mail Related Products [CS 16, CN 1426]
- xxx. Research & Development [CS 17 , CN 190]
- xxxi. C/S 17 Research and Development [CS 17, CN 267]
- xxxii. Area Administration [CS 18, CN 193]
- xxxiii. Annuitant Health Benefits - Pre-Funded (Prior) [CS 18, CN 203]
- xxxiv. Workers' Comp Prior Year [CS 18, CN 205]
- xxxv. Annuity Protection Program [CS 18, CN 207]
- xxxvi. Reimbursements [CS 18, CN 213]
- xxxvii. Unemployment Compensation [VA\ report] [CS 18, CN 241]
- xxxviii. Workers' Comp PO Department [CS 18, CN 541]
- xxxix. OWCP Health Benefits [CS 18, CN 895]
- xl. Maintenance Technical Support Center [CS 19, CN 219]
- xli. City Delivery Network Travel [CS 20, CN 225]

- xlii. Other [CS 20, CN 230]
 - xliii. Insurance Claim Write-offs [CS 20, CN 242]
 - xliv. Other Expenses [CS 20, CN 245]
- d. If confirmed for any of these cost components, please provide an explanation of the methodology the Postal Service uses to determine that the costs are either fixed or that they “do not change with variations in the amount of volume handled.”